

# **A Study of the Coping Strategies of Financially Vulnerable Families Facing the Child Care Cliff**

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## **Statement of the Research Problem**

For many families child care is a necessity for economic self sufficiency, as without it caretakers cannot enter and stay in the workforce. However, particularly for low-income families child care expenses are so high that they often cannot afford it without government support. Work support benefits were a central part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to support families to move to self-sufficiency. Work supports include child care, food supplement, earned income tax credit and utilities assistance.

Problematic is the fact that work supports are lost as a family's income increases, but often before sufficient income can be sustained to replace that support. In fact, small increases in earnings can cause families to lose significant work support benefits, leaving them no better off, or in some cases worse off, than they were before. This is known as the cliff effect (Dinan, Chau & Cauthen, 2007). The focus of this study was to understand how families make decisions about childcare and government support benefits, specifically child care, when facing this cliff.

## **Research Background and Hypothesis**

In 1996 President Clinton signed into law the Personal Responsibility and Work Opportunity Act (PRWORA) of 1996. This legislation represented a major shift in policy meant to "end welfare as we know it" (Vobeida, 1996). PRWORA created multiple changes in existing welfare policy, primarily requiring work and job-related activities in exchange for government assistance.

One anti-poverty policy strategy that was strengthened in the PRWORA legislation was the provision of work supports. A work support is a benefit that is meant to aid families to become self sufficient by helping them to maintain regular employment and to “make work pay”. Work supports may include child care, food stamps, income tax credits and utilities assistance that are not only available while someone receives basic cash assistance, but also once someone is employed.

While work support benefits may be a well intentioned policy, as it has been operationalized it may actually create barriers to a move towards self sufficiency. For example, a fifty cent per week raise may cause a family to lose child care benefits, but the increase in income is not nearly enough to cover the cost of child care. This “cliff effect”, was aptly named as losing benefits can be like falling off of a cliff. As a result of this cliff, workers may not take a pay raise or extra hours at their job in order to maintain their benefits. This coping strategy may therefore allow them to maintain at their current level financially for the short-term, yet would work against their potential longer-term advancement towards self sufficiency.

The context of the current study was women in poverty and the public policy response meant to ameliorate the economic barriers they face. While a study of the *cliff effect* in Colorado demonstrated the financial impact of the cliff for families (Dinan et al., 2007), little is known about how families make difficult decisions in relation to the cliff effect and what they do to cope in these circumstances. The goal of this research study was to understand the coping strategies of financially vulnerable families facing the loss of work supports.

While there are multiple types of work supports available through federal funding, this study specifically investigated coping around child care benefits, in particular the Colorado Child Care Assistance Program (CCCAP). The recent cliff effect study (Dinan et al., 2007), pointed to the importance of CCCAP for families; while at the same time illuminating the multiple policy and implementation issues of the program that may adversely affect Colorado families.

Financially vulnerable families have identified child care as a critical support for the transition to self-sufficiency, and the relationship between child care and employment for low income families is well documented (Blank, 2007; Edin & Lein, 1997; Lengyel & Campbell, 2002). Studies have found that child care costs are one of the main reasons that low-income parents have not been able to maintain employment, potentially lowering the rate of employment by as much as 24% (Press, Johnson-Dias, & Fagan, 2005). Because child care is critical for a parent’s employment, there is an overall economic benefit for families who have access to subsidized child care (Brooks, Risler, Hamilton & Nackerud, 2002; Forry & Anderson, 2006). This subsidy reduces out-of-pocket expenses for child care and gives families the financial flexibility to pay other bills and to save

money; the poverty rate of working parents with a child care subsidy in one study was reduced from 52% to 34% (Hartmann, Spalter-Roth & Sills, 2003).

## **Methodology**

This study employed a two-phased, mixed method explanatory, sequential design (Plano Clark & Creswell, 2008). The first phase consisted of a survey administered in the spring of 2009 and completed by 332 families who currently, or in the past two years, had utilized government support to pay for child care. The quantitative data were used to both describe the sample and through logistic regression, predict the odds of strategizing based on a number of independent variables. These variables included: mother's age, race and ethnicity, education level, US born (yes/no), marital status, number of children and income. Also tested were the odds of strategizing based on having been denied the child care benefit in the past and perceptions of social support. Finally, the quantitative data were used to choose the sample of strategizers to be interviewed in the qualitative phase of the study.

The second phase consisted of 21 in-depth interviews, from a sub-sample of those who completed the surveys. Only participants who indicated on the survey that they had faced the cliff effect and "strategized" in some way were interviewed. Phase Two also consisted of a modified participatory action research process. Five women, all of whom were low income and using the child care benefit, were recruited to aid in both the analysis and interpretation of the data.

## **Results**

### **Phase I**

The survey findings revealed that 109 (33%) of the families had strategized to stay on child care benefits, hence preventing the cliff effect. According to the survey responses, these families at some point in the past had been faced with a potential increase in household income and had declined that increase in favor of continuing their work support benefits, in this case child care.

A total of 332 cases were analyzed and the full model significantly predicted strategizers (omnibus chi-square = 37.836, df = 12,  $p < .00001$ ). The Hosmer and Lemeshow test showed that the model was a good fit for the data indicated by a p value of .315. The model accounted for between 11% and 15% of the variance in strategizing, with 71% of the predictions accurately indicated.

The full model showed that income, instrumental support, and having been denied CCCAP in the past reliably predicted odds of strategizing. For income, the data revealed

that families with higher incomes are .5 (50%) times more likely to strategize to stay on the program (95% CI 1.1 and 2.2). For instrumental support, the coefficient revealed that families with strongly perceived instrumental support were 2.6 times more likely to strategize to stay on CCCAP (95% CI 1.2 and 10.1). Finally, families who had been denied CCCAP in the past were 2.8 times as likely to strategize to stay on CCCAP (95% CI 1.9 and 7.7). No other variables in the model significantly predicted the odds of strategizing.

## **Phase II**

In order to further explore the research questions and to gain a deeper understanding of the coping strategies of financially vulnerable families, interviews were conducted with a subsample of the survey respondents. Only individuals who had answered ‘yes’ to the strategizing question on the surveys were interviewed. Of the 112 respondents who reported that they had strategized to stay on CCCAP, 69 (61%) provided their name and contact information indicating their willingness to participate in a follow-up interview. With an estimate of 20 interviews in order to reach data saturation, or the point at which no new information or themes are identified in the data, potential interviewees were contacted and 21 interviews were ultimately conducted based on participant availability in the time frame allotted.

Multiple themes were revealed in the qualitative data that were common to all or most of the sample. Faced with the potential loss of work supports, low-income families moving to self-sufficiency make decisions about their finances and about resources that have repercussions on their lives and those of their children (Lengyel & Cambell, 2002). For example, a family may have to choose between a job promotion and the loss of food stamps. One way they do this is by considering their “income package” which is made up of three components: (1) government assistance, (2) wages, and (3) support from social networks such as family, friends and local service providers (Hartmann et al., 2003). For low wage workers, rarely are any of these components by themselves enough to sustain a family to be self sufficient over time, but combined they do support families to get by. In the following discussion the themes from the qualitative data are outlined by resource category according to the income packaging framework.

### **Government support benefits.**

#### **CCCAP is a “double-edged sword”**

Based on the interview data while CCCAP was recognized as absolutely essential for families to survive economically, it was described as arduous to qualify for and to maintain benefits. The process and the rules impose a considerable amount of stress on

families and can actually work against them in their efforts to become self-sufficient. In this way CCCAP was viewed by study participants as a benefit with both favorable and unfavorable consequences. One woman described it as a “yoke around my neck”.

If it is such a mixed blessing, why do families use it? In this study women used CCCAP because of the obvious financial benefit and because it gave them access to formal child care they would not have without the benefit. Despite the challenges of using the CCCAP benefit, women managed the stress because they care deeply about their families and believe that appropriate and quality child care is best for their children. Unequivocally, the women who were interviewed recognized the value of the child care support. One mother shared it in this way, “for the next couple years I have to go by their rules. Just go by their rules and deal with it. It’s like I won’t be able to move ahead until my kids get finished with school, but they are getting a good education so I mean these years, I’m just going to have to sacrifice so they can get a good education”.

### **mini cliffs.**

While the cliff effect - or losing benefits due to an increase in household income and ending up worse off - is a significant barrier to moving from government supports to self sufficiency, there are multiple other circumstances that add to the very real reasons that women have to carefully strategize, consistently on the edge of losing work support benefits. These circumstances, which can be called “mini-cliffs”, create problems for families to get and stay on benefits and to maintain consistency over time even when they financially qualify for the benefits. Not only is this lack of consistency in receiving support a financial and emotional cost for parents, but it may have an impact on children developmentally (Tran & Weintraub, 2006), because they are in and out of regular care.

Many of these mini cliffs are situation specific. Rules for students, pregnant mothers, and women who are receiving child support can be problematic. For example, in Denver county women who are in school (up to a four year bachelors degree) can qualify for benefits. This is not the case in Larimer and Alamosa counties however. In another example, a problem for teen mothers attending school arises when there is a school vacation week and thus they are not in a ‘school or job related activity’ and therefore lose their benefits and are forced to relinquish their spot in child care. One community college student reported that while she was required to do an internship to complete her degree, the internship was not considered work or school and therefore was not a covered activity.

Several women had trouble with inconsistent child support payments, in that while a welcome addition to their income, the payments would intermittently push them over the income cap, but only for a month here and there, creating inconsistencies in child care. One woman reported having received a lump sum in back child support payments causing her to lose her benefits and requiring her to reapply the next month. Another woman said, “So I wanted him to pay child support, but at the same time he’d

give me 300.00 and I'd be out 600.00". For another woman this was also problematic as she explains, "my ex didn't pay child support for a long time. So then he would decide he wanted to pay child support for the month ...so he would drop me child support one month and I would have to report it because I don't want to lie to them about my income...so I would let them know and they would drop me and then I wouldn't be able to reapply for - I don't know - maybe a month or two months or three months . Something like that."

This lack of consistency due to small and often temporary changes in circumstances is extremely disruptive to work and family life and put a great deal of stress on parents and children. These sentiments were echoed in discussion with both providers and the CCCAP study group.

### **stigma of welfare.**

Different than the sheer stress of being on the system, the stigma of receiving government support weighed heavily on the minds and emotions of the families in this study. One woman stated that she feels like a "bottom feeder".

Some of the women talked about how they used to pay taxes or that they expect to move into self sufficiency and eventually pay taxes, as a sign that they have a commitment to give back what they had to use to get by temporarily. Stated plainly one woman said, "when I get off of welfare, I'm going to pay it all back in taxes and in charitable contributions".

While some may consider any type of government support as welfare, for women who had never been on TANF, several made a careful distinction that they were on CCCAP which is a work support benefit, not welfare and that they would never consider being on welfare. It was clear that these women considered CCCAP a temporary government support for working families. Each of them clearly articulated a desire to be off of any government support as soon as possible.

Finally, many women talked of their concern that people are taking advantage of the system. In the interviews, virtually every interviewee made a careful point to distinguish herself from those people who they feel are not trying to move towards self sufficiency. By way of example, one woman said, "I go down to DHS and there are people there with nice clothes and have their nails done. They are just using drugs and then taking from the system". In the literature this mode of coping is called "distancing" (Cooney, 2006) and was very evident among the women who were interviewed.

### **Employment.**

Beyond work supports, employment is a major source of income for low-income families. Unfortunately, for parents working in low wage jobs, work alone is often not enough to make ends meet. To illustrate, despite the fact that in the sample 243 families

(73%) were working, these families were not making a high enough wage to allow them to be self-sufficient and therefore they were now using or had used CCCAP in the past to pay for their child care.

There are some additional unintended consequences to the child care cliff effect regarding employment. For women who refuse higher wages, they continue at a salary level where, in other circumstances, they would have been receiving regular pay increases. When they go to find a new job, they do not appear as qualified as if they had received progressive wage increases. One mother described it this way, “so you look like a \$9.50 employee but you are really a \$14.00 employee”. Another stated simply, “you cannot get a good job on CCCAP”.

Of the factors that were the most helpful for the women who were interviewed to maintain employment while managing daily survival, a flexible job was one of the most important. This flexibility took many forms. Some women had jobs where they could make their own hours, such as housekeeping, and thus could be available during the day to meet with a CCCAP worker or could take their child to the doctor. Several women actually work in the child care centers where their children attend and therefore have employers who clearly understand their need to manage work and family. Others had bosses who would periodically pay them under the table thus keeping their paycheck under the income guidelines for CCCAP, but still compensating them for their time. Women whose employers knew of their situation were sometimes helpful and sometimes just as frustrated with the system. Summed up by this woman, “my boss, she was like I could just slap you around and show you what you’re passing up. I’m like I know exactly what I’m passing up. But my kids need a good education right now.”

Women who did not have flexible jobs described considerably more challenges in dealing with limited CCCAP office hours, managing during school holidays, caring for sick children or parents and managing her own needs like dentist appointments and doctor’s visits. For these women in particular, the stress in maintaining their benefits was evident.

### **Social support.**

A third source of resources for the women in the study was social supports. The availability of social support varied greatly among the women who were interviewed. Three of the 21 interviewees described a large amount of local family and friends who help them financially, emotionally and with instrumental support to get by. The majority of women interviewed described a more sporadic picture of social supports, with the availability of help if it was needed during certain hours for example, when others were not at work themselves or if there was a promise of reciprocity. Finally, 4 of the 21 interviewees described a definite lack of social support. These women conveyed a sense of feeling very isolated and alone.

For women who described a great deal of social support from family to neighbors and friends, their ability to cope was clearly eased by both the real and perceived existence of help beyond what government assistance could provide. Some women had very regular schedules of support with a mom or a cousin who picks up their children from care every day. Others described less formal arrangements but knew they could call on a neighbor or friend, for help at any time. One woman simply stated, “for me it comes down to the kind of base of friends that I have which is really like having the ability to call up and have somebody save me”. Usually this was seen as a mutually beneficial relationship, with the women taking turns caring for each other’s children, helping with rides to the doctor or picking up things at the store.

By contrast, women who described very little support from friends and family experienced a considerable amount more stress and anxiety than their counterparts in managing daily survival. For some of these women, they described a dearth of people around them that they felt they could call on for help. Their families lived far away and they did not know their neighbors. A mother of one child said, “I moved here with a friend but she lost her job and moved away. Now it is just me and my daughter. My mother lives in South Dakota and I don’t have any other family. So I just pray nothing bad happens, because its just me and her”.

Evident in the data was the fact that social support is necessary to supplement what families are unable to make coupling low wage work with government support benefits. These supports come from family, friends, neighbors, religious and community service organizations. These supports can be tangible such as a ride to the doctor or help with child care or intangible such as advice or someone to lean on emotionally after a hard day.

In summary, it was found that families use a combination of resources to make up their income package which they need to manage everyday survival, including government benefits, wages, and social supports. Also evident was that while the cliff effect is a significant barrier to moving from government supports to self sufficiency, there are multiple other barriers that add to the very real reasons that families have to carefully strategize to survive. These circumstances, which can be called “mini-cliffs”, create problems for families to get and stay on benefits and to maintain consistency over time even when they financially qualify for the benefits. These mini cliffs include things such as rigid reporting requirements and limited benefits for certain populations such as pregnant women and students. Not only is this lack of consistency in receiving support a financial and emotional cost for parents, but it may have an impact on children developmentally (Tran & Weintraub, 2006), because they are in and out of regular care. The most helpful things for families in strategizing were found to be a flexible job and solid social support networks.



## **Utility for Social Work Practice**

With the Personal Responsibility and Work Opportunity Reconciliation Act due for re-authorization in 2011, the goal of making work pay remains elusive. This is due in large part to the fact that the concept of making work pay, while intuitively appealing, has overlooked the realities of the lives of poor women, particularly those with children. This study provides support for the emerging research on income packaging as a strategy for financially vulnerable families.

Understanding the survival strategies of families presents both policy and practice implications for social workers. Social workers need to help families in making decisions about employment options, how to negotiate government support services, and how to cull together social support networks that aid them in daily survival. At the policy level, social workers need to engage in policy change efforts so that we do not continue to work in and for systems that serve to keep low-income families just barely making ends meet.

Fundamentally, there needs to be a more gradual loss of benefits that allow families to advance in the workplace while still receiving government support. Additionally, many of the child care rules could be changed so that public dollars are not being poorly spent on excessive administrative oversight, but that aid families in appropriate levels of reporting and accountability. Additional policy initiatives would do well to consider minimum wage laws, family leave for low-income, part-time workers, paid sick days, and support for higher education attainment.

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